

PREPARED STATEMENT BY
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JUSTICE, STATE AND JUDICIARY
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Mr. Chairman and members of the Committee, I am happy to appear before you today, to discuss the President's vision for the Nation's future and to talk about how the Department of Commerce is a critical part of that future. I will also describe how our budget for FY 1998 will help make the President's vision become a reality.

I'll outline our budget request in a moment, Mr. Chairman, but first I want to talk about the vital importance of the economic growth and job-creation priorities which Commerce supports, and which are so central to this Administration's vision for America's future.

In his State of the Union message, the President stated: "Over the last four years, we have brought new economic growth by investing in our people, expanding our exports, cutting our deficits, creating over 11 million new jobs, a four-year record." The Administration and the Congress should be proud of these accomplishments, but you and I both know that we should not pause in our efforts to ensure that our Nation retains its pre-eminent position in the global marketplace. The President continued: "We face no imminent threat, but we do have an enemy. The enemy of our time is inaction."

I agree with that statement, Mr. Chairman, and at the Commerce Department we are doing our best to help the private sector expand the Nation's economy even further. The overriding goal of the Department of Commerce is an action-oriented one, and it is stated clearly in our Mission Statement: "To promote job creation, economic growth, sustainable development, and improved living standards for all Americans". We do this by working in partnership with business, universities, communities, and workers.

Last year, Commerce programs provided significant benefits for the Nation's economy and contributed to our world leadership roles in trade, technology, and science. The economy has been strong for the last 4 years: the private sector grew at an annual rate of 3.3 percent, exports are at a record high, and nearly 11.8 million jobs have been created. Much of this growth came in small- and medium-sized businesses, which continue to be the focal point for Commerce's trade development, export assistance, and technological development programs.

Commerce's emphasis this year has been on streamlining and focusing our programs to provide maximum support to American communities, businesses, and families in more effective ways -- "one-stop-shops" -- and using new approaches -- World-Wide-Web sites, and CD-ROM technologies. We're stressing that kind of customer focus all across Commerce, and I'll be providing examples today of how we've been able to re-shape our programs in order to serve the Nation as a whole, and our specific customers, more directly.

The FY 1998 budget request for the Department of Commerce is \$4.22 billion, an increase of \$466 million over the FY 1997 level of \$3.7G billion. Even with this increase (much of which is required for Decennial Census preparations), Commerce's budget remains the smallest of any Cabinet agency. Full-Time Equivalent (FTE)

employment in FY 1998 will increase to 38,298 over the FY 1997 level of 34,937, also largely for Decennial Census needs.

This budget request is fully in line with the President's commitment to a balanced budget in 2002. The fact that the President has proposed this increase, even within the very tight constraints necessary to meet the President's commitment, is testament to Commerce's effectiveness as a catalyst for the Nation -- spurring economic growth and development, technology and infrastructure investment, and environmental and resource stewardship. And I fully agree with the President's position on the balanced budget amendment -- I, too feel that the Nation would suffer if the Federal government's critical flexibility to respond to pressing needs and to provide essential programs and services were held hostage. By working together, we can attain the goal of balancing the Federal budget by 2000 without a Constitutional amendment.

The Commerce Mission which I mentioned a moment ago is supported by three interdependent themes which encompass our programs: Support for the Nation's Economic Infrastructure, Support for the Nation's Science, Technology, and Information Initiatives, and Support for the Nation's Resource Management and Stewardship Responsibilities. In pursuing our mission, Commerce will be following several priorities, which I'll be focusing on in the months ahead:

Aggressive Export Promotion.

Commerce has programs which promote exports, identify new market opportunities, advocate for U.S. firms, and emphasize small- and minority-owned firms and enforcement of existing trade agreements.

Technology for Economic Growth.

Innovation is a key source of our economic growth, and Commerce supports the private sector in accelerating the application of critical technical innovation.

Expanding Opportunity for All Americans and All Communities.

Through EDA and MBDA, Commerce strengthens the ability of communities to have strong local economies and participate in the global marketplace.

Performing the Best Census in Our Nation's History.

Commerce produces demographic and economic information which is the basis for Congressional apportionment and the allocation of Federal funds. Commerce data provide insights into the American marketplace and the changing nature of our economy and people. And I support our plan for Census 2000 as the only way to hold down costs and improve the accuracy of the Decennial Census.

Resource Management and Environmental Stewardship.

Commerce has critical resource management and environmental monitoring and prediction responsibilities, affecting billions of dollars of economic activity each year.

Accountability-and Results-oriented Management.

We must ensure that the public investments in Commerce Department programs are helping to build long-term economic growth. Commerce has made valuable contributions to our current economic prosperity.

Building Partnerships with America's Businesses and Communities.

Commerce works with businesses and communities not just through our programs, but also through a constant dialogue of listening and exchanging ideas.

Let me now discuss our key bureau programs and their requests for the coming year. I also want to share with you some real-life examples of how our programs are accomplishing their goals and are helping American businesses and communities.

The International Trade Administration (ITA) remains at the forefront of the Administration's efforts to boost the economy and support more high-wage, high-skilled jobs, by increasing the sales of American goods and services in the world marketplace. ITA's request of \$272 million will continue support for the Administration's Big Emerging Market initiative, support for small- and medium-sized businesses through the Export Assistance Centers and for larger firms through the Advocacy Center, and fund our responsibilities as a participant nation in the Uruguay Round and NAFTA.

Advocacy for American exports is one of the prime responsibilities of the Commerce Department, and these efforts are paying off dramatically on behalf of the Nation's businesses and workers. Some \$65 billion (including \$38 billion in American content exports) were generated from our advocacy efforts in 1995 and 1996.

As Secretary of Commerce, I chair the Trade Promotion Coordinating Committee, which focuses the Federal government's response to foreign competition. My first meeting as Chair will take place in the next few days. During my tenure, I will work to ensure that the TPCC remains an effective vehicle for coordinating these crucial programs supporting our economy.

So much of our Nation's \$835 billion in exports come from small and medium-sized companies. Rocket Man, Inc., of LaGrange, Kentucky is a 16-person company that produces mobile beverage systems used at amusement parks, festivals, and sporting events. In 1993, Rocket Man realized there was an export potential for their products, and contacted ITA. When they began exporting, sales grew 300 percent between 1993 and 1994, and 225 percent the following year. ITA helped find overseas distributors, refine an export strategy, set prices, find language interpreters, and refine their information needs. The company president said of ITA's support: "It's invaluable, instead of having to make mistakes on my own. When you have someone you can call, it can bring essential information up to companies like ours with little or no experience, where otherwise it would take years" for small and medium-sized companies to develop on their own.

ITA has also helped Petrotech of Belle Chase, Louisiana, which designs and manufactures microprocessor controls for turbomachinery. Petrotech's president told us how ITA's New Orleans office helps his 120-person company, especially in the face of foreign competition: "We battle in practically every sale against the customer, the customer's government, the competitors, and the competitor's government ... ITA helps us get the answers to questions on the legality of sales, sending proposals, and making quotes ... Commerce's data base about area exporters is astonishing, and provides a networking catalyst not available elsewhere."

I am considering ways to reorganize ITA, to reduce administrative overhead, address concerns about political appointees, and put more personnel in the field.

The Bureau of Export Administration (BXA) helps implement the Nation's foreign policy and national security goals by enforcing export controls over dual-use goods and technologies. BXA's request of \$43 million includes \$2 million to fund their new responsibilities under the Chemical Weapons Convention (CWC) treaty and \$1 million for implementation of the Presidential initiative on encryption.

The Administration strongly supports ratification of the CWC, in the best tradition of bipartisan foreign policy, and wants to ensure that our Nation retains its world leadership role in controlling these weapons. We believe the U.S. should be one of the original members of the treaty when it enters into force. The CWC will help further the cause of global peace, and if ratified, it will go into effect on April 29, followed by a 30-day implementation period.

In my view, failure to ratify the treaty is not a realistic option. It was proposed and negotiated under the Reagan and Bush administrations, and all of our G7 partners have ratified it. The CWC treaty enjoys widespread international support, as well as the backing of the U.S. chemical industry -- the Chemical Manufacturers' Association and other major trade groups. From an economic perspective, our Nation's chemical industry would be subject to trade sanctions that apply to non-member pariah states. Commerce will play a lead role in minimizing burdens on industry and maximizing protection of company-confidential information. Based on our excellent working relationship with the chemical industry, I am confident that they trust us to represent their, and the Nation's, best interests.

BXA has been of great help to the 80-year old Entwistle Company (of Ft. Worth, Texas, and Hudson, Massachusetts), designers and manufacturers of ordinance parts. Larry Hove, Entwistle's VicePresident, said: "Through a chain of events, we sold a few million dollars worth of products that we wouldn't have sold if we hadn't participated at a defense show in Paris ... The value of BXA for me is that I have someone who I can talk to who has a global view of what's happening in the defense world. We don't have people on the ground in any place."

The Economic Development Administration (EDA) assists communities across the country in recovering from economic difficulties, most often by establishing the infrastructure that will enable them to generate and retain jobs, and thus create self-sustaining economies. EDA also maintains the flexibility to respond to high-priority or unexpected needs, ranging from natural disasters to the closing of military bases. EDA has undertaken significant management reforms and has undergone a comprehensive reorganization to ensure efficient and effective program implementation. EDA's \$343 million request includes funding for the Public Works grant program, which will yield thousands of new jobs in distressed communities. In this session of Congress, the Administration will submit a legislative proposal to re-authorize EDA's programs.

EDA helped develop the West Virginia Wood Technology Center in Elkins, completed in 1993, which provides training in log and lumber grading and inspection, profile knife grinding, kiln drying, and related technologies to workers in a 5-state region. The Center's success has helped the host county's unemployment rate drop two-thirds. Seven companies are expanding into new product markets, and at least one (and up to seven) out-of-state companies are relocating into the county to take advantage of the skilled labor force.

EDA is one of the Commerce bureaus that is moving ahead on finding ways to measure the impacts of its programs in new ways. EDA has developed and implemented a performance measurement system for its programs which, over time, will generate outcome information on the economic impact of their projects in distressed communities. The measures, which include job creation and private sector leveraging, will evidence the return on the Department's investments in the economic growth of the nation.

The National Telecommunication and Information Administration's (NTIA) request of \$54 million will support a \$14 million increase to the high-priority and highly-competitive Telecommunications Information and Infrastructure Assistance Program, which supports computer access and literacy to serve educational, medical and other social needs in every state. NTIA's funding request also provides for the United States' participation in the International Telecommunication Union Plenipotentiary Conference, and for a new initiative supporting telecommunications privacy.

The National Technological University in Ft. Collins, Colorado, is a private, non-profit, accredited institution providing graduate degrees in 14 engineering disciplines, using faculty of 47 U.S. universities. NTU was formed in 1984, and is the first university in the world to operate a regular education service on a telecommunications satellite. Its use of telecommunications and video technology allows engineers to earn degrees and keep abreast of new developments in their fields without stopping work to go back to school. Dr. Lionel Baldwin, President of NTU, said: "Commerce has been the only part of the Federal government that has participated in any significant way... NTIA provided critical start-up funds for equipment to launch NTU and continued this support during the initial, very rapid growth period."

The Minority Business Development Agency (MBDA) seeks \$28 million to continue addressing the critical needs of the Nation's minority business communities. In 1998 MBDA will continue its reinvention strategy which calls for the coordination and mobilization of public and private resources and building business capacity within local

communities across the country. MBDA's 1998 request includes funds to support both new and existing programs -- a revamped management and technical assistance effort including service delivery through Internet, and projects developed jointly with the Small Business Administration. Last year, a major revision was made to the Minority Business Development Center (MBDC) program. MBDA now grants "bonus points" to local applicants in the competitive award process and requires a 40% cost share.

Spatial Data Integrations, Inc., of Louisville, Kentucky is a minority-owned company which provides mapping and digital data conversion services to government, utilities, and private sector businesses. As a contractor and subcontractor for the Department of Defense, for example, they produce topographical and hydrological maps, and specialize in describing the relationships between items on those maps. They have been bidding on projects for the local transit authority and utility companies, as a way to expand business. Audwin Helton, company President, has said that the local Business Development Center helped him develop business and financial plan that he could take to the bank". With this help, the company has expanded from 4 to 13 employees. He said: "They've helped me with proposal writing and basic business advice which I still seek out regularly. They treat everyone with respect."

Field Lining Systems of Glendale, Arizona, is a minority- owned company that supplies and installs linings for tanks, ponds, and landfills. They buy information about business leads from MBDA's Phoenix Business Development Center at a rate that this small company can afford, and then use this information for bidding on jobs in nine western states, including Alaska. They came out of Chapter 11 in 1991, have been growing ever since, and hope to expand into the Mexican market.

Also in his State of the Union address, the President said: "To prepare America for the 21st century, we must harness the powerful forces of science and technology to benefit all Americans." The United States remains the world leader in many aspects of science, technology, and information, and the Department of Commerce is instrumental in helping the Nation maintain that leadership role. The \$9.2 million funding request for the Under Secretary for Technology/Office of Technology Policy (US/OTP) will support the Experimental Program to Stimulate Competitive Technology (EPSCoT) initiative, and a new series of economic and technology development programs in support of the Administration's foreign policy efforts. EPSCoT seeks to foster regional technology-based economic growth by creating stronger linkages among companies, universities, and governments in States traditionally under-represented in Federal R&D funding.

The National Institute of Standards and Technology (NIST) requests \$692.5 million for FY 1998. This will allow for several new competitions in the Advanced Technology Program (ATP), which stimulates promising, but high-risk, enabling technologies that can form the basis for new and improved products, manufacturing processes, and services. This funding will also maintain our nation-wide network of Manufacturing Extension Partnership (MEP) service providers, which enhance the global competitiveness of thousands of smaller-sized manufactures. The Malcolm Baldrige National Quality Award program has been a national success, and will be expanded to cover education and health care, two large and critical areas of the national economy which are not currently served by the award.

The NIST laboratories are a key part of the Department's technology programs. These labs develop and supply companies, universities, hospitals, and other organizations with essential measurement know-how. They develop otherwise unattainable tools that ensure confidence in the growing number of measurements demanded by the technically complex affairs of commerce, science, engineering, health, safety, defense, law enforcement, and the environment. "NIST quality" measurements are part of a universal technical language linking U.S. companies and institutions to the rest of global economy. As part of its extensive ongoing program evaluation process, NIST conducts impact studies of the measurement-related infrastructure it provides to the U.S. economy. These studies are one mechanism the Department will use to demonstrate its performance under the requirements of the Government Performance and Results Act, a vital law that I'll discuss in more detail later on.

In one of these studies, U.S. makers of coordinate measuring machines (including: Brown & Sharpe Mfg. Co. of North Kingston, Rhode Island; Giddings & Lewis Inc. of Fond Du Lac, Wisconsin; and The L.S. Starrett Co. of Athol, Massachusetts) credit NIST with saving them 5-10 years in early-stage research. Firms also attributed annual production-efficiency, gains -- ranging from 10-30 percent between 1985 and 1988 -- to NIST's pioneering work on computer-based, error-compensation methods. The technology enabled them to produce lower cost designs without

sacrificing performance. In all, the effort is estimated to have produced first-level benefits totaling more than \$93 million. Generated by an initial NIST investment of \$430,300 over 10 years, this total does not include scrap reduction and other secondary benefits realized by manufacturers because of the increased accuracy of their inspection equipment.

The legislative mandate of the ATP is to promote "commercializing new scientific studies rapidly" and "refining manufacturing practices." This offers a tremendous scope of opportunity to spur America's creative technology energies. The objective of some projects is to develop technologies that enable lower cost, higher quality, or faster-to-market products. The ultimate objective of others is to develop the know-how to provide new-to-the-world or radically improved products and services. The ATP has a high potential impact on U.S. economic growth because, unlike other Federal technology programs, it makes investments explicitly for this reason rather than for some other National goal.

One example of this is Nanophase Technologies Corporation of Burr Ridge, Illinois, a 2-person start-up company that received an ATP award to develop an innovative process for producing ultra-fine ceramic and metal powders at the nanometer scale for applications ranging from skin care products to high performance engine parts. Their ATP research enabled the company to attract support from major industrial organizations and venture capital firms, who furthered commercial development. The company has launched new products, and negotiated an agreement with E. Merck for international distribution of one early project this year. The early applications are projected to yield more than \$20 million in annual revenues within three years, and more products are in development. The company has opened the world's first facility devoted to commercial-scale production of nanocrystalline materials, and expects to employ several hundred workers within the next two years. "All of this represents huge progress and success for NTC," says Robert Cross, CEO and President of the company, "and it is directly the result of the challenge and support of the Advanced Technology Program."

I also want to take a look at the ATP program to see how it can be strengthened. I believe ATP is a critically important program that provides enormous benefits to our Nation's long-term economic prosperity. ATP projects play a special role in fostering technological developments that have long-term payoffs and widespread benefits to the economy -- the kind of initiatives that would otherwise not be funded by the private sector. The President's budget provides strong support for this program.

Since becoming Secretary, I have heard a number of questions raised -- by you as well as by others -- about the program and its funding. I am committed to examining questions that have been raised -- about the budget process, about the ratio of new projects to old ones, about big companies winning grants outside of consortia, about whether applicants first go to private capital markets for funding, and about whether States lacking strong R&D bases should have a better chance of participating in this program. I want to look at all of these questions, and I've asked my staff to consult with public and private experts and ATP participants and prepare an analysis and recommendations for me. I would be very glad to have the advice of this Committee on these issues (and will be back to you within 60 days with my conclusions).

Before I complete my discussion of NIST this morning, I want to say that I am very impressed by the quality movement in the private sector. Through the Malcolm Baldrige Quality Award, I have already had the chance to meet some of the best and brightest in the private sector. It is clear that Quality Management works, and I want to apply those same principles to the Department of Commerce as much as possible. The advice that one of the leaders of the quality movement in the private sector gave me was to start by creating some "islands of quality" and then build on them. I've selected two organizations in the Department to be our first "islands of quality" -- the Patent and Trademark Office and the National Weather Service. Both of these agencies deal with the American public, on a daily basis, so their quality improvements should immediately benefit our citizens.

The Patent and Trademark Office (PTO) promotes industrial and technological progress in the U.S. by administering the laws relating to patents and trademarks, strengthening the protection of intellectual property rights, and advising on the trade-related aspects of intellectual property. In FY 1998 the PTO requests a budget of \$656 million, all of which is derived from user fees. The PTO's appropriation request, however, provides that \$92 million in patent fees will be retained in the Treasury for deficit reduction.

Fogarty Research and Development of Partola Valley, California, designs and develops medical devices, and has acquired 60 patents on its products. Company founder and president Thomas Fogarty, M.D., depends on PTO to bring critical time and cost savings, and valuable technical opinions, to his products and production methods. He says: "By our interaction with PTO, we can learn ways that we can change the design or the claim and make it protectable ... I could potentially have 2-3 engineers working on a project accumulating bills at the rate of \$30,000."

The Economics and Statistics Administration (ESA) seeks \$52 million, a modest increase that will pay large dividends in improving the statistics that are essential to tracking and understanding the Nation's growing and changing economy. ESA's priority is to implement the next steps in the Bureau of Economic Analysis's (BEA) strategic plan for improving the quality of GDP and other economic data and for re-engineering its antiquated computer systems. Although BEA has made good progress in implementing its plans in recent years, it has done so by eliminating important (but lower priority) statistical programs. Much work remains and further cuts would compromise the quality of our most basic measures of economic performance.

In decrying the "lack of investment in our statistical infrastructure" in recent years, the National Association of Business Economists said in a recent press release that the statistics produced by BEA and Census "are vital to the functioning of our market economy. Businesses make decisions about where to locate a plant, how much to produce and how much to pay their workers based on the data ... Participants in financial markets make investment decisions which in turn affect interest rates, the stock market and the value of the dollar. These data also serve as critical inputs into the formulation of monetary, fiscal and trade policy. In short, the quality of our economic statistics impacts the lives of every American."

The Census Bureau measures the demographic and economic character of the Nation. The Census Bureau's FY 1998 request totals \$661 million. In 1998, we will accelerate the implementation of our plan for a 2000 Census that is cost effective and accurate -- a "one-number" census that is right the first time. In addition to partnerships with State and local governments, easy-to-read and return forms and the use of cutting-edge technology, I support the use of statistical sampling in 2000 in order to hold down costs and increase the quality of the Decennial Census. Sampling has been endorsed by some tough audiences -- the National Academy of Sciences, GAO, and our own Inspector General.

The Bureau has other cyclical census activities, and additional portions of the request will be devoted to conducting the Economic Censuses, which are performed every five years. The vital economic data they produce are the foundation for all of our economic statistics for the next five years. As with BEA, the Census Bureau has had to eliminate important (but lower priority) activities to live within funding constraints. Further cuts in the Economic Censuses would seriously compromise the quality of this endeavor.

Census data give insight into our Nation's local markets. For example, the Latin American Economic Development Association (LAEDA) of Camden, New Jersey, uses Census data to help train local entrepreneurs in commercial real estate and small business creation, and it focuses on the development of effective business plans and the key role that Census data play in them. LAEDA has increased its 9-week training programs from 2 to 3 per year, because of increased demand. Alfonso Castillo, Director of Training and Technical Assistance, said: "People walk away after completing our training program with a good idea of what data are available, how it can be used, and how it will help their business. It has worked very well".

B&B Organic Compost & Soils, Inc. of Durham, North Carolina, with a patented method of converting stumps and wood waste to organic topsoil, also benefits directly from Census data. The firm is expanding by granting franchises on its process around the country, and charges royalties on the basis of local population data. Company founder and president Bill Andrews says that Census staff are "super nice", and the data he gets from them are available in a hurry and just what he needs.

NOAA remains the largest component of the Commerce Department, with a request of \$2.0 billion for FY 1998. This net figure contains a number of offsetting priority increases, as well as decreases in programs that are attaining their goals and therefore can be eliminated or continued at reduced levels. Nation-wide modernization and restructuring of the National Weather Service continues, with the initial deployment of the Advanced Weather

Interactive Processing System (AWIPS) and operational streamlining of activities under the NWS Modernization and Associated Restructuring initiative. These initiatives will produce more timely warnings of severe weather and accurate weather forecasts. Restoration of American fisheries and the protection of species in danger of extinction will continue to be a priority. One major change included in the NOAA budget for FY 1998 is the way in which capital assets, such as environmental observing systems and facilities, are budgeted.

I'm pleased to be able to share with you some illustrations of how NOAA programs are helping to save lives and property, and to preserve our natural environment. During the major blizzard last year, for example, we provided early and accurate forecasts, so State officials were able to implement emergency plans promptly, and commercial airlines were able to relocate their planes out of harm's way. We issued warnings about Hurricane Fran 31 hours before landfall, and flash flood warnings 6 hours before they occurred. And although last year saw a higher-than-normal number of tornadoes, we are able to provide warning lead times of more than 15 minutes, so the number of lives lost was well below the average.

By implementing controlled access measures for some fisheries, we've reduced accidents and property loss, increased the economic value of fish by making fresh products available for longer period. We've provided scientific support to the Coast Guard in 70 oil or chemical spills, and partnered with State and local agencies to restore 40,000 acres of coastal habitat.

The Hatteras Village Aqua Farm in Hatteras, North Carolina is a clam-breeding company established in 1984. Initially the company sold their clams to wholesalers, but gradually broadened into direct sales to restaurants (1992), their own retail store (1995), and last year, they opened their clam beds to tourists, so that customers could gather their own clams. A NOAA grant to North Carolina State University has helped the University study this type of approach to clam breeding and has helped the company with marketing their unique concept.

Biotechtronix, Inc., of Pendleton, South Carolina, develops chemical testing instruments for the commercial marketplace -- applications in food, environmental, and chemical companies. This technology is a result of biodegradable material research funded by NOAA, which revealed the relationships between chemical elements and color sensors. Using those research findings, the company developed and was able to market a more sophisticated device.

Lincoln Electric System of Lincoln, Nebraska, generates or buys power to serve that city of 200,000 people. Summertime consumption of power can often outstrip the System's own capacity, so System staff arrange to purchase the additional power needed, at the lowest possible cost. Chief Engineer Phil Euler says: "We have several models, all using statistics of weather provided by NOAA, to help us determine our customers' electric needs and the most economical ways of meeting them. Our customer accounting group uses weather data in explaining to customers why bills are higher this month than last ... our technical assistance group uses weather data to advise on the design of buildings and how big an air conditioner and heating unit are needed. We use weather data in setting budget billing by normalizing power customer consumption and removing the weather extremes."

Commerce focuses on providing effective management and stewardship of our Nation's resources and assets to ensure sustainable economic opportunities. This requires us to see resources in new ways, and to update our responsibilities in relation to them. In the past, Commerce's definition of "resources" and our management responsibilities focused on tangible items, and our role was seen as a hands-on one. NOAA, for example, has direct management responsibilities for fish stocks, and must preserve and protect endangered species. But now we recognize that the Federal portion of the radio frequency spectrum (which NTIA oversees), and intangible items such as intellectual property rights (which PTO protects) and the capabilities of former military bases (which EDA helps local communities to harness) are also key resources. Our role with these resources is a stewardship (rather than a hands-on management) one.

Commerce has several innovative management initiatives underway. While not principally a regulatory agency, we must remain focused on ensuring that all regulations of the Department are designed and implemented to maximize societal benefits while placing the smallest possible burden on those we regulate. BXA has taken a new look at its regulations, and has rewritten many of them, simplified and clarified others, and dropped the remainder. NOAA is

revising and updating its marine resource regulations, eliminating 400 pages of them. EDA has eliminated over 200 of its 370 regulations.

I am committed to reducing the number of political appointed positions at the Department by the end of FY 1997. We will develop a specific plan to achieve this goal in a manner that ensures the efficient and effective operation of the Department.

We are implementing the Government Performance and Results Act (GPRA) seriously in Commerce, and when the law is fully implemented at the start of the next fiscal year, we will have a Strategic Plan and useful performance measures in place. The initial plan we've already provided to OMB has been declared to be one of the best that was developed across the Federal government. NOAA's own Strategic Plan, for example, serves as a vital management tool within that bureau and as a positive example to other agencies. We look forward to consulting with this Committee and others which are interested in our programs later this Spring, and ensuring that the GPRA Strategic Plan we send up in September gives you additional useful insight into the effectiveness of our programs on behalf of American families, businesses, and communities.

We have launched a pilot program under the Vice President's Performance Based Organization (PBO) effort which is designed to make the Federal government more flexible and autonomous, and make managers accountable for measurable results. As in a private business, a PBO is designed to achieve clear accountability for operating results. A key PBO characteristic is that the organization is granted considerable administrative and regulatory flexibilities in return for increased measurable performance. One Commerce pilot is being developed under this initiative -- the Patent and Trademark Office -- and others are under consideration, including the National Oceanic and Atmospheric Administration's seafood inspection program.

The Vice President has encouraged us to establish PTO as a PBO. Ultimately, through legislation, we hope to run the operational elements of PTO in a manner similar to the way a private business operates. PTO would have a much more flexible procurement system, a simpler and more flexible set of rules for managing personnel and accountability through a CEO with a performance agreement that contains specific, measurable objectives. The authorizing committees were engaged and supportive of the idea of a PTO PBO in the last session of Congress.

In the meantime, we can make progress toward this goal of a PTO PBO through administrative actions. We have just submitted a reprogramming proposal to this Committee and to the Senate Appropriations Committee including an administrative reorganization which would: separate policy functions from operations; establish three business lines in PTO -- patents, trademarks, and information dissemination; reorganize the patent examining group into industry sectors; and consolidate some administrative functions.

This administrative reorganization would be a significant advance toward accomplishing a more business-like operation, but we would still need the legislation to: grant additional personnel flexibilities; exempt PTO from FTE ceilings; create an Undersecretary for Intellectual Property to oversee the policy functions of patents and trademarks; and establish a Chief Operating Officer.

I am very enthusiastic about putting PTO operations on a more business-like footing. I hope that this Committee is able to give our reprogramming proposal favorable treatment.

The Commerce Administrative Management System (CAMS) will replace existing financial and administrative systems, and will provide the Department with an integrated, user-friendly, flexible financial and administrative system to support program managers, improve productivity, and reduce costs. The Department took delivery of the central part of the system -- a new off-the-shelf Core Financial System (CFS) -- in August 1996, and we marked a key milestone in CAMS implementation when the Census Bureau began operating several parts of the CFS in October. Census plans full bureau-wide implementation of the CFS by October 1998. NOAA began using a critical component of the CFS in August 1996, and they plan to begin implementing other parts of the CFS in their Washington-based offices this Summer, with full NOAA-wide implementation of the CFS by FY 1999. Other bureaus are planning CFS implementations in FY 1998 and beyond.

Converting software and information in preparation for the year 2000 poses a real and serious threat to business processes throughout the world. If left unchanged, systems will stop functioning or produce erroneous results when they begin to process 20th century dates. The scope of this problem is great, ranging from everyday purchases of consumable office supplies, to our ability to report economic and statistical data used in critical ways throughout the Federal government and private industry, to the control of long-term weather forecasting systems.

The shifting nature of today's economic world is challenging, and these challenges translate into opportunities for our programs and our management systems. Commerce can meet these challenges, and will continue forging ahead to promote economic growth for all Americans.